

**BEFORE THE
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

DOCKET NO. 2005-54-C

174313

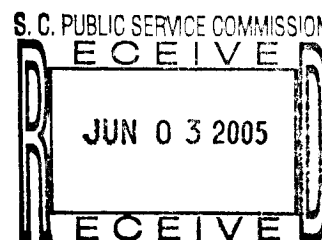
In the Matter of the Joint Application of)
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**KMC TELECOM HOLDINGS, INC.,)
KMC TELECOM LLC, KMC TELECOM II LLC,)
KMC TELECOM III LLC,)**

And)
)
)

**TELCOVE, INC., TELCOVE OF SOUTH)
CAROLINA, INC.)**

For Approval of a Transfer of Assets and)
Customer Base)
_____)



TESTIMONY OF JAMES E. MEANS

Q. Please state your name, title, and business address.

A. My name is James E. Means. I am Deputy General Counsel for TelCove, Inc. My business address is 121 Champion Way, Canonsburg, PA 15317.

Q. How long have you been employed with TelCove.

A. I have been employed with TelCove since 1998.

Q. Have you testified previously before the South Carolina Public Service Commission?

A. No.

Q. Have you read the instant Petition?

A. Yes, I have.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe and support the Joint Application of TelCove, Inc. (“Buyer”), TelCove of South Carolina, Inc. (“TelCove South Carolina”), KMC Telecom Holdings, Inc. (“KMC Holdings”), KMC Telecom LLC (“KMC”), KMC Telecom II LLC (“KMC II”), KMC Telecom III LLC (“KMC III”), (collectively, with KMC and KMC II, the “KMC Operating Companies” and, together with Buyer and TelCove South Carolina, the “Applicants”) for authority to transfer South Carolina assets, including certain customer accounts.

Q. Please provide a brief summary of the transaction.

A. The proposed transaction involves the transfer to TelCove, Inc. of KMC III’s switches and related assets and network operations and the KMC III customer base.

Q. Please describe TelCove, Inc. (“Buyer”).

A. Buyer is a privately-held Delaware corporation with its principal place of business located at 121 Champion Way, Canonsburg, Pennsylvania 15317. The largest block of Buyer’s shares is controlled by Bay Harbour Management, L.C. (“Bay Harbour”), a private investment company, which controls funds that hold approximately 47% of Buyer. Bay Harbour’s principal place of business is located at 885 Third Avenue, 34th Floor, New York, New York 10022. TelCove South Carolina is a Delaware corporation and has its principal place of business located at 121 Champion Way, Canonsburg, Pennsylvania 15317.

Buyer, through its operating subsidiaries, including TelCove South Carolina, is a leading facilities-based provider of integrated communications services that serves medium and large businesses, state and local governmental agencies, educational

institutions, and other communications service providers. Buyer offers local and long-distance voice, dedicated data, ATM, frame relay, and Internet services and is focused on serving communications-intensive end users.

Q. Please describe TelCove South Carolina.

A. In South Carolina, TelCove South Carolina is authorized to provide local exchange and interexchange telecommunications services pursuant to Order in Docket No. 1998-510-C. Further information regarding TelCove South Carolina's legal, technical, managerial and financial qualifications to provide service was submitted with its Application for certification. Such information, therefore, is already a matter of public record, and Applicants request that it be incorporated herein by reference.

Q. Please explain why Buyer and TelCove South Carolina have the qualifications necessary to operate the assets and serve the customers being acquired from KMC III.

A. Buyer has the managerial, technical and financial talents necessary to acquire and operate the assets and serve the customers. Buyer, through its operating subsidiaries, including TelCove South Carolina, is authorized to provide facilities-based local exchange and interexchange telecommunications services in every state, except Alaska, Arizona, Hawaii, and the District of Columbia. Buyer also holds international global facilities-based and resold Section 214 authority, as well as blanket domestic Section 214 authority. Buyer's operating companies currently provide Internet, voice and data services to customers in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Vermont and Virginia. The same key

management and other personnel that currently operate Buyer's operating company in South Carolina will assume the KMC III's operations following completion of the transaction.

Q. Please describe KMC Holdings and the KMC Operating Companies.

A. To my knowledge, KMC Holdings is a Delaware corporation with its principal place of business located at 1545 Route 206, Suite 300, Bedminster, New Jersey 07921. KMC Holdings is the ultimate holding company parent of the KMC Operating Companies. KMC Holdings, through the KMC Operating Companies and its affiliates, provides voice and/or data services in every state with the exception of Alaska, Colorado and Hawaii. Wireline voice services are provided by KMC III in Alabama, Florida, Georgia, Indiana, Kansas, Louisiana, Maryland, Michigan, Minnesota, Mississippi, North Carolina, Ohio, South Carolina (See Docket No. 1999-87-C), Tennessee, Texas and Wisconsin and by KMC Virginia in Virginia.

To my knowledge, KMC, KMC II, and KMC III are Delaware limited liability companies with their principal place of business located at 1545 Route 206, Suite 300, Bedminster, NJ 07921. KMC Holdings, through the KMC Operating Companies and its affiliates, is authorized by various state public service commissions to provide resold and/or facilities-based, competitive local and/or intrastate interexchange telecommunications services in 49 states and the District of Columbia. In Virginia, KMC Holdings provides service through KMC Virginia. In addition, KMC III holds international resold and facilities-based Section 214 authority, as well as domestic blanket Section 214 authority.

Q. Please completely describe the Transaction.

- A. Applicants propose to complete a Transaction (“Transaction”) whereby Buyer will acquire KMC III’s 5ESS switches and related assets and network operations in Charleston, Columbia and Spartanburg, South Carolina. In connection with that Transaction, Buyer will be responsible for providing service to the KMC III customer base transferred as a result of the Transaction. In order to effectuate the proposed Transaction, Buyer, KMC Holdings, KMC, KMC II, KMC III and KMC Virginia have entered into an Asset Purchase Agreement (“Agreement”).

Applicants emphasize that although the proposed Transaction will involve a transfer of customers, immediately following the proposed Transaction, those customers will continue to receive service from Buyer under the same rates, terms and conditions as the services currently provided. As a result, the proposed Transaction will be entirely transparent to customers in terms of the services that they currently receive. All of the affected customers have received notice of the Transaction. A copy of that notice is attached as Exhibit A. Moreover, because Buyer is acquiring substantially all of the assets of the KMC Operating Companies necessary to provide voice service to the transferred customers, Buyer will have all of the assets required to continue to provide high quality services to the customers it acquires.

Buyer is well qualified to provide service to KMC III’s customers. Buyer, through its operating companies, including TelCove South Carolina, currently provides Internet, voice and data services to customers in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Vermont and Virginia. The same key management and other personnel that currently operate Buyer’s operating

company in South Carolina will assume KMC III's operations following completion of the Transaction. Thus, Buyer will be able to rely upon the expertise and experience of its existing management to continue the current operations of KMC III and provide the same services at the same rates, terms and conditions as currently are provided to the KMC III customers.

Q: Following the transfer of customers to TelCove, how will customer inquiries and complaints be handled?

A: Customers will be given a 1-800 number for TelCove customer service. For customer inquiries that relate to services provided or billed on or after the close date, TelCove customer service representatives will address such inquiries. For customer inquiries that relate to services provided or billed before the close date, TelCove customer service representatives will either refer the customer to a 1-800 number provided by KMC for customer inquiries or work cooperatively with KMC customer service representatives to address the customer's needs. As Ms. Johnson explains, although KMC III will discontinue all South Carolina operations following the transfer of the assets and customers, KMC Telecom Holdings, Inc., the parent of KMC III, will continue to operate two other CLEC subsidiaries in South Carolina and will be responsible for resolving any outstanding customer complaints against KMC III.

Q. Please describe the public interest benefits associated with the Transaction.

A. The Transaction serves the public interest. In particular, the assignment of the KMC III customer accounts will ensure that those customers continue to receive uninterrupted services. At the same time, the proposed Transaction will allow KMC Holdings to

continue to restructure its operations and allow KMC Holdings to continue to implement its business strategies going forward.

The proposed asset transfer will not inconvenience, confuse or otherwise harm KMC III's customers. Indeed, the proposed Transaction will be virtually transparent to customers in terms of the services those customers receive. Buyer is well qualified to continue to provide such services. In sum, the proposed Transaction is expected to enhance competition in the affected markets by expanding Buyer's its presence as a viable competitor while at the same time allowing KMC Holdings to continue the ongoing restructuring of the company's operations.

Q. Does this conclude your testimony?

A. Yes, it does.

Exhibit A

Customer Notice

**AN IMPORTANT NOTICE REGARDING YOUR LOCAL AND LONG DISTANCE
TELEPHONE SERVICE FROM KMC TELECOM AND TELCOVE**

Dear Valued Customer:

KMC Telecom is pleased to inform you that its telephone systems used to provide your local, long distance, international and data services in the areas of (i) Melbourne, Florida; (ii) Savannah, Georgia; (iii) Augusta, Georgia; (iv) Roanoke, Virginia; (v) Tallahassee, Florida; (vi) Greensboro, North Carolina; (vii) Fort Myers, Florida; (viii) Winston-Salem, North Carolina; (ix) Pensacola, Florida; (x) Daytona Beach, Florida; (xi) Fayetteville, North Carolina; (xii) Hampton Roads, Virginia; (xiii) Sarasota, Florida; (xiv) Charleston, South Carolina; (xv) Spartanburg, South Carolina; (xvi) Greater Pinellas, Florida; (xvii) Columbia, South Carolina; (xviii) Tri-cities - Johnson City/Kingsport/Bristol, Tennessee; (xix) Maryland Cluster - Frederick/Bethesda/Rockville; Maryland; (xx) Hickory, North Carolina; and (xxi) Wilmington, North Carolina are being acquired by TelCove Inc. The anticipated date for the transfer of your service to TelCove will occur in June or July of this year, or as soon thereafter as the necessary governmental approvals can be obtained. Upon completion of the transfer, TelCove will provide service to you and KMC Telecom will no longer be your local, long distance telephone, international or data service provider.

As a customer of TelCove, you will continue to receive all of the features, terms and conditions of service and current rates that you enjoy today. Notice of any future changes in rates, terms and conditions of service will be provided to you in writing or as otherwise provided by law. TelCove has over thirteen years of experience delivering voice and data communication and currently provides these services in 20 states today. Using state of the art-equipment and knowledgeable employees, TelCove provides businesses with reliable, customized communications solutions and personalized customer service. With TelCove, your business will have a local, dedicated, single point of contact ready to answer your questions or provide additional services.

It has been the pleasure of KMC Telecom to provide you with quality local, long distance, international and data communications services and we emphasize that you will be treated as a valued customer of TelCove. As always, you may choose another carrier for your telephone service at any time, subject to any termination restrictions in your contract. Unless you choose another carrier within sixty (60) days of the date of this letter, as is your right, you will automatically become a TelCove customer upon completion of this transaction.

You do not need to take any action to be transferred to TelCove. TelCove will pay any change charges associated with the transfer of your account to it. If you have placed a "freeze" on KMC Telecom's local or long distance services to prevent their unauthorized transfer to another carrier, such freeze will be lifted when your KMC Telecom services are transferred to TelCove. At your request and at no additional charge, TelCove can re-establish freeze protection for you after the transfer.

TelCove will work to resolve any complaints you may have against KMC Telecom that have not been resolved by the time your account is transferred.

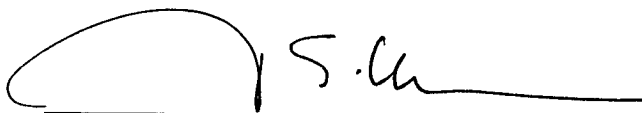
If you have any questions regarding this notice or any of KMC Telecom's services, please contact a KMC Telecom representative at 1-800-850-9048, or by mail at 1545 Route 206, Suite 300, Bedminster, NJ 07921. Questions regarding TelCove may be directed to TelCove's Representatives at 1-866-295-5239, or by mail at 121 Champion Way, Canonsburg, Pennsylvania 15317, Attention: Customer Relationship Manager. [www.telcove.com]

VERIFICATION

State of Pennsylvania

County of Washington

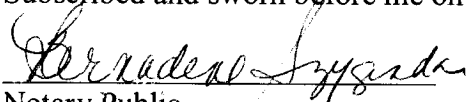
I, James E. Means, Deputy General Counsel for TelCove, Inc., being duly sworn, depose and state that I have read the foregoing pre-filed testimony and know the contents therefore, and that said contents are true and correct to the best of my knowledge, information, and belief.



James E. Means

Deputy General Counsel
TelCove, Inc.

Subscribed and sworn before me on this 31st day of May, 2005.



Notary Public

My Commission expires on:

